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## Cap Intro Complaint: “Funds That Lack Sales Follow-Through”



If there is a cap intro person or team at the prime brokerage firm your money management firm uses, they want you to succeed in growing your business. (More tradable AUM for you means more trade execution commission dollars for them.)

Of course, the smaller the AUM and track record length an investment firm has the more challenging it can be to win allocations from sophisticated investors such as family offices and other institutional investors; and the longer it can take. The selling cycle for winning new investor mandates from such investors, particularly for portfolio managers running funds with under \$1b AUM, has always tended to run longer than just a few months. A two-year selling cycle is not unusual. The folks at prime brokerage firms know this. So too do the folks at iConnections, who have commented that for emerging managers running \$100m - \$200m it could easily be two to three years before a prospect becomes a client.

Has your investment management firm prepared for making it through a selling cycle and taking best advantage of introductions made by your prime broker’s cap intro team?

### **The complaint**

A cap intro person recently complained to me about the number of portfolio managers who ask to get connected with prospective investors, get the introduction, have a first meeting, and hold that meeting without having a game plan for what to do next with the new contact.

What's wrong with that? Consider these five problems:

1. It breaks the flow of relationship building with prospective investors.
2. It too often results in the money management firm not providing the range of information institutional investors are looking to gather and evaluate, and then discuss, debate and vote on at the investment committee level in choosing which new firm's strategy should win their allocation.
3. It can shift the onus for gathering the required due diligence information needed by a family office's investment committee onto the prospective investor, who may or may not put in more time and effort in vetting the under-prepared investment management firm team. (If prospects feel like they are having to drag information out of a portfolio manager that they should have been given as a matter of course, then that is not a good thing.)
4. It demonstrates a lack of business management acumen. This is a problem because money management firm owners are being evaluated by sophisticated investors both in regard to investment strategy risk as well as business risk that investing with the firm would expose them to.
5. It exposes the Cap Intro people to reputational risk. When sophisticated investors take a Cap Intro person at their word that a particular portfolio manager is worth them getting to know and look into, there is a tacit understanding that the prime brokerage firm has pre-vetted the fund and its manager enough to feel that this is a responsible introduction they are recommending to the investor contact.

An insufficient level of preparedness by a money management firm to make it through the due diligence gauntlet can make it tough for their prime brokerage firm's cap intro people to be most successful at doing their jobs.

### **The missing ingredient**

Funds that lack sales follow-through tend to be lacking something very specific: a workflow action plan. Money management firm owners need to craft their plan of action *before* making initial contact with a prospective investor. That plan should address how they will handle both their first in-person meeting as well as the relationship building after having made the initial contact. After all, *no one* is going to become an investor by the end of a first meeting.

A workflow action plan for being in touch with prospects over a period of time requires having currency to exchange with them to garner more of their attention and time. That currency, beyond performance data, is demonstration of the intellectual acumen of management. This is where content marketing comes into play, from written materials to talks given at industry conferences.

Additionally, staying in touch with prospects when you're supposed to be requires an often-missing workflow tool: contact management software. Further, it needs to be configured properly for the money management firm and how it is structured, and used with regularity. I have found a surprising number of investment boutiques lacking a proper repository for new business development relationship building records and a reminder task list system so that To Do actions can be handled on a timely basis and not forgotten.

Lack of persistence is a complaint about money management firms I've heard over the years from not only family office investors but also financial planning/investment advisory wealth management firm owners who money managers are pitching. What is an oft repeated story? The potential investor agreed to a first contact and then the investment management firm dropped the ball after that one contact by not following up, leaving the prospect hanging.

If your money management firm looks to grow its investor base and its AUM, don't allow lack of sales follow-through to be a characteristic of how you run your business.

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#### **About the author**

Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 36-year-old financial communications and sales marketing consultancy that helps financial services firms create brand identities for their organizations and develop and implement effective new marketing strategies and programs. Frumerman & Nemeth's work has helped money management firm clients attract over \$7 billion in new assets, yet they are *not* third-party marketers.

Frumerman & Nemeth is internationally recognized for its work in crafting for clients the beyond-the-numbers story of how they invest — content that investment committees actually discuss, debate and vote on behind closed doors when considering firms on a short list for potential investment. Importantly, this is required due diligence content that cannot be communicated in pitchbook format.

Frumerman & Nemeth's work also includes providing strategic consulting on product and strategy-specific branding, crafting the required strategy-specific content detail and designing and producing the marketing tools needed to make it through the two-month to two-year institutional selling cycle. Clients also employ Frumerman & Nemeth to help promote the intellectual acumen of management — helping them get speaking opportunities, write and give speeches as panelists or stand-alone speakers at industry conferences, and through media relations marketing services.

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